

**IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)**

**IMPROVEMENT AND DEVELOPMENT AGENCY
FOR LOCAL GOVERNMENT**

(a UK Registered company limited by guarantee)

Company Registration No. 3675577

Report and Financial Statements

for the Year ended 31 March 2019

**IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)**

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**IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Cllr Peter Fleming OBE (Chairman)	(appointed 16 August 2018)
Lord Porter of Spalding CBE	
Cllr James Jamieson	(appointed 3 July 2018)
Cllr Michael Payne	(appointed 4 September 2018)
Cllr Howard Sykes MBE	
Cllr Marianne Overton MBE	
Richard Priestman	
Philip Sellwood	
Cllr Paul Bettison OBE	(resigned 6 September 2018)
Cllr David Simmonds CBE	(resigned 12 July 2018)
Mayor Sir Stephen Bullock	(resigned 4 May 2018)

SECRETARY

Dennis Skinner

REGISTERED OFFICE

18 Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London
E14 4HD

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT (a company limited by guarantee)

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 March 2019.

Principal activities

The Improvement and Development Agency for Local Government (IDeA) supports improvement and innovation in local government, helping councils take responsibility for their own performance and improvement.

As local government's improvement agency, IDeA provides core services which focus on helping councils work with and learn from each other. The main ways we provide improvement support are through:

- a programme of peer challenges, ensuring we have high quality peers on board, particularly leaders and chief executives;
- support to individual councils and groups of councils, especially councils with the most severe performance challenges;
- leadership development programmes to councillors and managers;
- programmes which support councils in improving their productivity and efficiency; and
- web-based services so councils can learn from each other and share information on efficiency and innovation.

A year in focus

Over the last few years, local government has had to deal with a greater reduction in funding than any other part of the public sector. Councils have worked hard to shield residents from the impact of funding cuts but efficiencies cannot be re-made.

Our improvement work has been widely used by councils, helping to share innovation and best practice across local government. The IDeA plays a critical role in ensuring the performance of councils, addressing those at risk of underperformance, driving improvement across the sector, supporting councils through significant changes, and supporting strong local leadership. This approach, helping to co-ordinate improvement work on behalf of councils, has enabled them to deliver millions of pounds of savings.

Our approach is based on four key principles:

- councils are responsible for their own performance;
- councils are primarily accountable to their local communities;
- stronger local accountability and increased transparency drive improvement; and
- councils have collective responsibility for the performance of local government as a whole.

The role of the IDeA is to maintain an overview of the performance of the sector and to provide tools and support to help councils.

Over the last year, the IDeA has supported local authorities by:

- delivering peer challenges for 145 local authorities, securing over 2,300 days from member and officer peers working in councils to support the peer challenge process;

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STRATEGIC REPORT

Principal Activities

The IDeA is wholly controlled by the Local Government Association and was incorporated on 27 November 1998. The Company commenced trading on 1 April 1999, taking over some of the trading activities of the Local Government Management Board.

Since 2016/17 the LGA continued to streamline its merged operations with those of its associated organisations – the Improvement and Development Agency (IDeA), its two property companies Local Government Management Board (LGMB) and LGA (Properties) Ltd, all three of which are subsidiaries of the LGA.

The shared objective of the LGA, the IDeA and the LGA's other associated organisations is to make an outstanding contribution to the success of local government as the national voice of local government working with and on behalf of the LGA's member authorities to support, promote and improve local government.

In year performance

This has been a successful year for the IDeA with significant progress on all the priorities agreed by the IDeA Board. These priorities were firmly based on the most important issues for local government. In deciding these, we looked at intelligence from councils, a great many of whom are actively involved in the LGA through representatives on our boards and panels, at issues emerging from government or already going through the legislative process, and at the economic and social challenges that impact on local authorities.

We have delivered a satisfactory financial outcome in 2018/19. From 1 April 2016, the Company became the recipient of Direct Government Grant from the Ministry for Housing, Communities and Local Government ("MHCLG Grant") to pay for improvement services to councils, replacing Revenue Support Grant. Our income from the MHCLG Grant and other income including grants has reduced by approx. 2% as compared with the previous year, and we kept costs down at the same time as continuing to deliver on our key priorities and deliver direct support to councils. The IDeA continued to make a significant payment towards its pension fund deficit.

Future Developments

As with many other parts of the public sector, we face a number of financial challenges and are taking steps to maintain our "core funding" and ensure that we develop new sources of income as well as continuing to reduce our costs. Our future success will rely heavily on our delivering ever greater value to local government at a time when councils themselves are facing significant reductions in their own funding and are, more than ever, questioning the value of every item of expenditure.

Principal risks and uncertainties

Our arrangements for risk management include the regular review of a strategic risk register with clear responsibilities assigned to named senior officers for the management of the principal risks. These included ensuring that we deliver on our objectives and have impact for councils, ensuring we have effective governance arrangements and financial sustainability, and ensuring we maintain employee capacity and capability. We have also put in place clear governance and project management arrangements for projects designated as being high risk from a financial or operational point view.

Our operations expose us to a variety of financial risks that include ensuring that the funds held by us are, first and foremost, secure; second, that adequate liquidity is maintained so that sufficient funds are always available to meet current liabilities; and third that the best return on investment is obtained subject to achievement of the first two objectives.

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DIRECTORS' REPORT

- providing leadership training for 842 councillors (in England);
- providing support to 42 councils with total projected savings/income generation of £42.6m through the Productivity Experts Programme;
- providing councils localised data through our LG Inform system, helping them to better understand their local communities and providing them with data to help better plan services;
- supporting a further 77 councils to transform their workforces and modernise the way they are managed;
- provided a comprehensive baseline for all councils of their cyber security arrangements;
- provided significant financial and risk management support to 29 councils around social care;
- launched a tool providing market analysis of national data; and
- supported the Transforming Care programme.

The Planning Advisory Service supported all local authorities to understand the new requirements of the 2019 National Planning Policy Framework and the new Housing Delivery Test. We continued to support all local authorities at risk of designation and those without local plans.

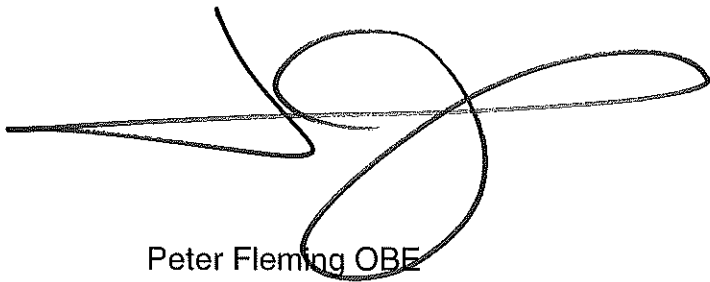
We also promoted value for money and productive planning departments across the sector.

A major expansion of the One Public Estate programme (OPE) programme has been undertaken bringing the total number of councils supported to 335.

Our newly established children's services improvement programme, funded by DfE, has seen the development of a new Early Years Peer Challenge with 75 peers trained; 11 Children's Services Peer Challenges were also delivered and support provided to Portfolio holders and Directors.

Looking ahead

Our improvement offer to councils will keep spreading good practice. We will continue to work with councils and Government to develop our offer and to secure the funding necessary to underpin our extensive programme of support to councils.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the left.

Peter Fleming OBE

6 June 2019

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT (a company limited by guarantee)

STRATEGIC REPORT

The principal liability of the IDeA other than those arising in ordinary day to day business relates to the pension deficit. The valuation of the IDeA's pension deficit was £96.531 million at 31 March 2019, an increase of £14.048 million from last year. In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions of circa £2.5 million per annum (increasing yearly by 0.4%). Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 15 years. The LGA's Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit including the IDeA's pension deficit can be improved and agreed to the refurbishment of Layden House from 2018 as part of this strategy.

Price risk

We have relatively low exposure to price risk. Our employee costs are controlled through formal annual negotiations with employee representatives. Our back office services are now mainly delivered in house, with ICT services delivered through jointly owned company with Brent Council, by Brent ICT team. Other services are procured from a range of external providers through competitive tendering arrangements in line with our formal procurement procedures.

Credit risk

We have a debt management policy and clear credit control procedures which include regular review and follow-up of our trade debtors.

Liquidity risk

Our agreed approach is to manage our revenue budget so as to deliver a balanced budget that should not require a net call on cash for the financial year as a whole. We maintain an adequate level of day to day liquid funds to pay liabilities promptly as they fall due.

Cash flow risk

We have both interest-bearing assets and liabilities. Subject to our liquidity requirements, which are assessed on a weekly basis, surplus funds are deposited in accordance with the Approved Investment Strategy as agreed by the LGA's Leadership Board.

Key performance indicators

We have reviewed the impact of our work and the delivery of our priorities through robust performance management which has included regular reports to the IDeA Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators.

The LGA regularly surveys member authorities. As part of the 2017/18 perceptions survey respondents were asked about our improvement support. 96% of leaders and 95% of chief executives responding to the survey said the improvement support had a positive impact on their authority.

We review our financial sustainability by carefully controlling our staff costs. Over the last two years employee numbers have risen from 157 employees in the year ended March 2017 to 186 employees in the year ended 31 March 2019. The increase is primarily as a result of new staff being required to deliver new programmes of work, funded by various government departments, and a change in the contractual position of some individuals as a result of a reassessment of whether they should be employees, particularly through our Care and Health Improvement Programme. We continue to monitor employee absence through the implementation of better recording methods (self-service) for staff and this has fallen slightly from an average annual number of sick days per employee of 3.3 days in March 2018 to 3.2 days in March 2019 which is still well below national averages for sickness.

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STRATEGIC REPORT

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 1 per cent of the total debtors at March 2019 (7 per cent March 2018).

Environment

We have agreed an environmental policy which includes the commitment to:

- continually reduce waste and increase our recycling rate
- reduce paper use
- ensure that procurement of goods and services adheres to our green purchasing and procurement policy
- champion and mainstream consideration of environmental sustainability throughout our outward facing work programmes and services
- comply with all applicable legislation, regulation and with other relevant requirements relating to our environmental impacts

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 18-19.

Consultation with employees and their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through direct briefing and regular use of our intranet.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with us continues and that appropriate support and training is arranged. It is our policy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

Political and charitable contributions

The IDeA has not made any charitable donations over £2,000 or any political donations or incurred any political expenditure during the year.

Post Balance Sheet Events

On 1 April 2019 the assets, liabilities and business of the parent undertaking, Local Government Association, an unincorporated association, were transferred via a transfer agreement to Local Government Association, an unlimited company (Company number 11177145).

There were no other post balance sheet events.

Dividends

The articles of the IDeA do not permit the payment of a dividend.

Directors

The names of the directors who served throughout the year and since the year end are set out on page 1.

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STRATEGIC REPORT

Provision of Information to Auditors

In the case of each of the persons who are directors at the time when the directors' report is approved, the following applies:

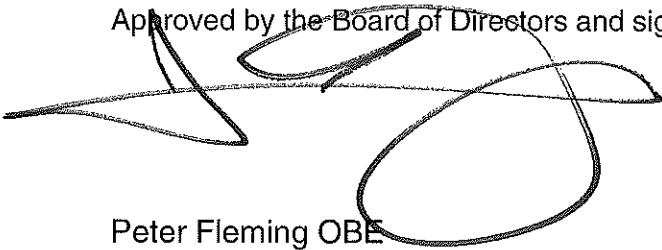
- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that they Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

PKF Littlejohn LLP has expressed its willingness to continue in office. A resolution proposing the reappointment of PKF Littlejohn LLP will be proposed at the next Board Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

A large, stylized handwritten signature in black ink, appearing to be 'Peter Fleming OBE', written over a horizontal line.

Peter Fleming OBE

Director
6 June 2019

**IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
Year ended 31 March 2019**

The directors are responsible for preparing the Strategic report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102).

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE IMPROVEMENT AND DEVELOPMENT AGENCY FOR
LOCAL GOVERNMENT**

Opinion

We have audited the financial statements of the Improvement and Development Agency for Local Government Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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Other information

The other information comprises the information included in the Directors' Report and Strategic Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report or Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's directors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alastair Duke (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

Date: *1 July 2019*

1 Westferry Circus

Canary Wharf

London E14 4HD

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2019

	Note	2019 £000	2018 £000
Income	2	37,995	36,836
Administrative expenses		(43,392)	(37,608)
OPERATING (DEFICIT)	5	<u>(5,397)</u>	<u>(772)</u>
Share of joint ventures' distribution to members	7	2,125	1,625
Interest receivable and similar income		404	348
(DEFICIT)/SURPLUS FOR THE YEAR		<u>(2,868)</u>	<u>1,201</u>
Other Comprehensive Income			
Actuarial (loss)/gain recognised in respect of the pension fund		(12,385)	5,496
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	<u>(15,253)</u>	<u>6,697</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 16 to 24 form part of these financial statements.

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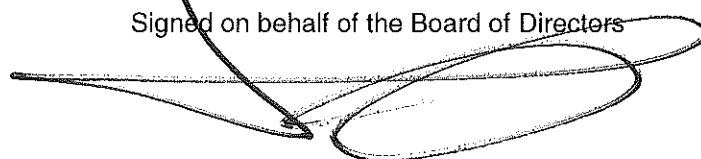
BALANCE SHEET
As at 31 March 2019

Company Registration No. 3675577

	Note	2019 £000	2018 £000
INTANGIBLE ASSETS			
Intellectual Copyright Assets		1	1
LONG TERM DEBTORS			
Loans to Group companies	9	16,000	11,000
CURRENT ASSETS			
Debtors	8	7,654	5,696
Short term Investments	10	992	9,221
Cash at bank and in hand	13	13	10
		<u>8,659</u>	<u>14,927</u>
CREDITORS: amounts falling due within one year	11	(5,905)	(5,871)
NET CURRENT ASSETS		<u>2,754</u>	<u>9,056</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,755</u>	<u>20,057</u>
CREDITORS: amounts falling due after more than one year	12	(37)	(101)
PROVISIONS FOR LIABILITIES			
Pension fund deficit	15	(96,531)	(82,483)
Restructuring Provision	14	(250)	(283)
		<u>(96,781)</u>	<u>(82,766)</u>
TOTAL NET LIABILITIES		<u>(78,063)</u>	<u>(62,810)</u>
ACCUMULATED FUNDS			
General Reserve		13,458	13,458
Risk and Contingency Reserve		5,010	6,215
Pension deficit Reserve			
- Pensions Fund Assets		160,293	150,591
- less Defined Liabilities		(256,824)	(233,074)
		<u>(78,063)</u>	<u>(62,810)</u>

These financial statements were approved by the Board of Directors on 6 June 2019

Signed on behalf of the Board of Directors



Peter Fleming OBE

Director

The accounting policies and notes on pages 16 to 24 form part of these financial statements.

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2019

	Risk & Contingency Reserve £000	Pensions Deficit Reserve £000	General Reserve £000	Total £000
Balance at 1 April 2017	3,648	(86,613)	13,458	(69,507)
Changes in equity for 2017/18				
Surplus for the year	-	-	1,201	1,201
Pensions Adjustments in Statement of Consolidated income	-	(1,366)	1,366	-
Actuarial gains/(loss) on defined benefit plans	-	5,496	-	5,496
Total comprehensive income for the year	-	4,130	2,567	6,697
Transfer to Risk and Contingency Reserve	2,567	-	(2,567)	-
Balance as at 31 March 2018	6,215	(82,483)	13,458	(62,810)
Balance at 1 April 2018	6,215	(82,483)	13,458	(62,810)
Changes in equity for 2018/19				
Deficit for the year	-	-	(2,868)	(2,868)
Pensions Adjustments in Statement of Consolidated income	-	(1,663)	1,663	-
Actuarial gains/(loss) on defined benefit plans	-	(12,385)	-	(12,385)
Total comprehensive income for the year	-	(14,048)	(1,205)	(15,253)
Transfer from Risk and Contingency Reserve	(1,205)	-	1,205	-
Balance as at 31 March 2019	5,010	(96,531)	13,458	(78,063)

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STATEMENT OF CASH FLOWS
Year ended 31 March 2019

	Note	2019 £000	2018 £000
Net cash (outflow)/inflow from operating activities		(2,868)	1,201
Adjustments for:			
Investment and dividend income		(2,169)	(1,649)
FRS102 Pension Service Costs		1,663	1,366
Increase in debtors		(1,958)	(1,466)
Decrease/(Increase) in long term debtors		(5,000)	-
Increase in creditors		33	135
(Decrease)/Increase/ in provisions		(33)	61
Decrease in creditors due after one year		(64)	(2)
Net cash generated from operating activities		<u>(10,396)</u>	<u>(354)</u>
Cash flow from investing activities			
Interest received		45	24
Distribution from Joint Venture		2,125	1,625
		<u>2,170</u>	<u>1,649</u>
Net Increase / (Decrease) in cash		(8,226)	1,296
Cash and cash equivalents at the start of the year		9,231	7,935
Cash and cash equivalents at the end of the year	13	<u>1,005</u>	<u>9,231</u>

The accounting policies and notes on pages 16 to 24 form part of these financial statements.

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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NOTES TO THE ACCOUNTS
Year ended 31 March 2019

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, specifically Financial Reporting Standard (FRS102). The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Subsidiary Undertaking

The Company has one subsidiary, Public Sector Audit Appointments Ltd. Consolidated accounts are not prepared as the Company is itself a subsidiary of the Local Government Association, for which consolidated accounts are prepared. The Company's place of business is 18 Smith Square, London SW1P 3HZ.

The accounts for Public Sector Audit Appointments Limited (PSAA) are not consolidated into these statements or the LGA Consolidated Accounts because neither entity exercises or has the ability to exercise control over PSAA and are not in a position to benefit from its results and financial performance.

Going Concern

The Company has net liabilities, after accounting for the defined benefit pension scheme deficits of £96.531 million as at 31 March 2019. This position includes an actuarial estimate of the pension liabilities at the balance sheet date. The Company pays amounts into the scheme, as prescribed by the actuaries (note 15), in order to eliminate this deficit over a maximum of 15 years. The unfunded pension deficits are being repaid over the remaining lives of the pensioners concerned as detailed in note 15.

The Company receives grant funding from the Ministry for Housing, Communities and Local Government (MHCLG). This funding is received on behalf of the Local Government Association and its related bodies. The level of funding has been formally determined by parliament for the year to 31 March 2020. Funding for the Company's principal grant-funded programmes has also been agreed by the funders. This secures the majority of the Company's income for the foreseeable future and the Directors have therefore adopted the going concern basis for the preparation of these accounts.

Investments

Investments are recognised at the lower of cost and net realisable value.

Revenue Recognition

Income

Income represents the amount receivable as grants, subscriptions and for goods sold and services provided (excluding Value Added Tax). Income from dividends due from Joint Ventures is identified separately within the Income and Expenditure account. Note 2 gives further analysis of income which is all generated in the UK.

Government Grants

Grants are recognised in the Income and Expenditure account when the conditions for receipt have been complied with. Deferred grant income at the year end is included in creditors. The Company receives MHCLG Grant which is recognised in the Income and Expenditure account on receipt and Specific Grant which is recognised in the accounts in the period the related activities occur.

Debtors

The policy of the Company is to make partial provision for debts that are over one year old and full provision for debts that are over two years old, subject to exceptions for debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off.

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Year ended 31 March 2019

1. ACCOUNTING POLICIES (CONTINUED)

Employee benefits

The IDEA provides a range of benefits to employees, including paid holiday arrangements and the Local Government Pension Scheme defined benefit plan.

- (i) Holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.
- (ii) LGPS Pension costs:

New employees are entitled to membership of the London Borough of Camden defined benefit pension scheme. Under the defined benefit plan, pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the defined benefit pension schemes expected to arise from employee service in the period are charged to the income and expenditure account.

The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time and actuarial gains and losses are recognised in the statement of other comprehensive income as remeasurement of defined benefits pension scheme obligations. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments (included in staff costs). Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs.

Reserves

The Risk and Contingency Reserve has been created to provide cash resources to fund developments that provide opportunities to save costs or generate additional commercial income, fund external loan repayments, and also to cover the potential risks to the IDeA's medium term plans (such as increased pension deficit payments). Contributions to or from this reserve will be identified so that the IDeA budget for each year of the plan is balanced.

Company Status

The Company is limited by guarantee and has no share capital. In the event of a winding up of the Company, each member's contribution towards the liabilities is limited to £1.

2. INCOME

	2019	2018
	£000	£000
Government grants	33,406	31,696
Subscriptions	1,279	1,224
Services recharged	2,654	3,312
Other income	656	604
	<u>37,995</u>	<u>36,836</u>

From 1 April 2016, the Company became the recipient of MHCLG (formerly DCLG) Grant income replacing Revenue Support Grant. Of the £20.000 million MHCLG Grant received in 2018/19 (£21.000 million 2017/18), £3.576 million (£3.167 million 2017/18) was paid to those other bodies under arrangements agreed as part of the Business Plan for the Local Government Association and its related bodies.

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Year ended 31 March 2019

3. DIRECTORS' EMOLUMENTS

The directors received emoluments during the year in respect of their services to the Company as follows.

	2019	2018
	£000	£000
Total emoluments	94	100
Emolument of the chairman and highest paid director	6	8

No director is an active member of the pension scheme (2018: nil), nor did any director receive assets or money under any long term incentive scheme.

All directors have been transferred to the LGA payroll since 2013. The balance is recharged from LGA and is in relation to the ring-fenced pensions activity - advice and conferences on pensions that is allocated to the relevant cost centres and Negotiations as this is where the budget sits to pay for these costs.

4. STAFF INFORMATION

Staff information for the Company is as follows:

	2019	2018
	No.	No.
Average number of persons employed		
Administration	186	163
Staff costs during the year	£000	£000
Wages and salaries	10,644	8,991
Social security costs	1,202	1,041
Pension costs – cash payable by employer	1,887	1,664
Pension deficit payments	3,128	2,430
Pension costs – current service costs less contributions	(555)	(875)
<u>Less income from secondments</u>	<u>(447)</u>	<u>(375)</u>
	<u>15,859</u>	<u>12,876</u>
Staff Related Costs		
Agency, freelance and secondment costs	692	794
Redundancy payments and provision	39	153
Travel, subsistence and staff expenses	902	734
Recruitment costs	33	54
Training costs	19	19
Other personnel costs	29	25
	<u>1,714</u>	<u>1,779</u>
Total	<u>17,573</u>	<u>14,655</u>

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4. STAFF INFORMATION (CONTINUED)

The numbers of the Company's other staff receiving remuneration of £50,000 or more were as follows:

	2019	2019	2018	2018
	Salaries + Redundancy Costs	Salaries Only	Salaries + Redundancy Costs	Salaries Only
£50,000 - £54,999	24	24	4	4
£55,000 - £59,999	3	3	5	5
£60,000 - £64,999	12	12	9	9
£65,000 - £69,999	6	6	10	10
£70,000 - £74,999	17	17	26	26
£75,000 - £79,999	15	15	4	4
£80,000 - £84,999	6	5	2	2
£85,000 - £89,999	3	3	-	-
£90,000 - £94,999	1	1	-	-
£95,000 - £99,999	-	-	3	3
£100,000 - £104,999	7	7	4	4
£105,000 - £109,999	1	1	2	2
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	2	2	2	2

5. OPERATING SURPLUS

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Operating surplus is after charging:		
Auditors' remuneration		
- audit fee	15	15
- non audit services	3	3

6. TAXATION

The Improvement and Development Agency for Local Government is exempt from tax on its income and gains by virtue of its status as a Local Authority Association under Section 519(3) of the Taxes Act 1988. It is exempt from capital gains tax under Section 271(3) of the Taxation of Chargeable Gains Act 1992.

7. INVESTMENTS

Geoplace LLP

Under an agreement dated 17 November 2010, the Secretary of State for Communities & Local Government, acting through Ordnance Survey, entered into an agreement (the LLP Members' Agreement) with Improvement and Development Agency for Local Government (IDeA) and the Local Government

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7. INVESTMENTS (CONTINUED)

Association, for the formation of a new joint venture, the limited liability partnership GeoPlace LLP. Ordnance Survey and IDeA each contributed £1 by way of equity capital. The distributable profits of GeoPlace LLP are allocated 25% to IDeA and 75% to Ordnance Survey. GeoPlace LLP commenced trading on 1 April 2011 and has traded profitably in the years to 31 March 2019. The company received a dividend of £2.125m in 2018/19 (£1.625m in 2017/18).

Public Sector Audit Appointments Ltd

The company is a wholly owned subsidiary and in normal circumstances would be consolidated. The board has approved that IDeA does not consolidate PSAA's numbers into its accounts for the following reasons:

- The LGA/IDeA do not control the entity - the IDeA appointed the first director, the rest have been down to the company itself.
- The Group is not able to share in assets or profits of the company, and surplus funds at the end of the arrangement with MHCLG must be returned to the clients, as outlined in the memorandum of understanding.
- To enable the LGA/IDeA statements to show a true and fair view, in particular adding an expected £54.5 million to both income and expenditure which would give the impression that the group and IDeA are much larger organisations than they really are.

8. DEBTORS

	2019	2018
	£000	£000
Trade debtors	4,568	4,275
Due from related entities	1,095	414
Other debtors	445	257
Prepayments and accrued income	1,546	750
	<u>7,654</u>	<u>5,696</u>

9. LONG TERM DEBTORS

	2019	2018
	£000	£000
Loan to related party – LGA	16,000	11,000
	<u>16,000</u>	<u>11,000</u>

On 1 January 2017, an unsecured loan of £11 million was issued to LGA bearing interest of 2.94% per annum. The Loan is repayable on 31 December 2036.

On 2 January 2019, an unsecured loan of £5 million was issued to LGA bearing interest of 2.94% per annum. The Loan is repayable on 31 December 2036.

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10. SHORT TERM INVESTMENTS

Surplus cash balances held by the Company, the companies it controls and related parties are pooled and lent to financial institutions on the Company's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in the Company's Investment Strategy. The Company's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£000	£000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors and accruals	2,276	2,501
Income received in advance	2,761	2,490
Other Creditors	593	516
Owed to related entities	275	364
	<u>5,905</u>	<u>5,871</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£000	£000
Deferred Income	37	101
	<u>37</u>	<u>101</u>

13. NOTES TO THE STATEMENTS OF CASH FLOWS

Cash and Cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	13	10
Short Term Investments	992	9,221
	<u>1,005</u>	<u>9,231</u>

14. PROVISIONS FOR LIABILITIES

	2019	2018
	£000	£000
Balance at 1 April	283	222
Arising during year	250	283
Utilised during year	(283)	(222)
Balance at 31 March	<u>250</u>	<u>283</u>

The provision as at 31 March 2019 relates entirely to redundancy costs and pensions settlement. The LGA Group has undertaken further restructuring of its organisation in order to streamline its processes and deal with a significant reduction in funding. This provision has been set up to cover the further cost of voluntary redundancies which have been agreed with members of staff.

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15. PENSION COMMITMENTS

Employees of the Improvement and Development Agency for Local Government may participate in the London Borough of Camden Pension fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by the Borough Council in accordance with the Local Government Pension Scheme Regulations 1997.

The most recent formal actuarial reviews in relation to the funds were at 31 March 2019. The actuarial assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The assumptions made by the actuaries, Hymans Robertson for the Camden funds are stated below. The next Triennial valuation as at 31 March 2019 will take place during the Financial Year 2019-20.

The projected unit method of valuation was used to calculate the service costs in accordance with FRS 102.

Investment returns

The return on the Fund in market value terms for the year to 31 March 2019 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary.

Actual return for period from 1 April 2016 to 31 December 2018	(2.0)%
Estimated return for period from 1 April 2016 to 31 March 2019	6.1%

Major categories of plan assets as a percentage of total plan assets

	At year end 31 March 2019	At year end 31 March 2018
	% p.a.	% p.a.
Equities	79%	78%
Bonds	10%	11%
Property	10%	10%
Cash	1%	1%

a) Actuarial assumptions

The assumptions used by the actuary were:

	At year end 31 March 2019	At year end 31 March 2018
	% p.a.	% p.a.
Inflation/pension increase rate	2.5%	2.4%
Salary increase rate	3.1%	3.0%
Discount rate	2.4%	2.7%
Expected return on assets		
Mortality Rates*	Years	Years
Current Pensioners – Male	22.0	22.0
Current Pensioners – Female	24.1	24.1
Future Pensioners – Male	23.9	23.9
Future Pensioners – Female	26.1	26.1

*Mortality rate is the assumption for the life expectancy of a current pensioner aged 65 or for a future pensioner (now aged 45) in 20 years' time.

Balance sheet	31 March 2019	31 March 2018
	£000	£000
Fair value of employer assets	160,293	150,591
Present value of funded liabilities	<u>(249,561)</u>	<u>(225,863)</u>
Net underfunding in funded plans	(89,268)	(75,272)
Present value of unfunded liabilities	<u>(7,263)</u>	<u>(7,211)</u>
Net liability	<u><u>(96,531)</u></u>	<u><u>(82,483)</u></u>

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15. PENSION COMMITMENTS (CONTINUED)

	31 March 2019	31 March 2018
	£000	£000
Recognition in the Statement of Comprehensive Income		
Current service cost	(4,286)	(3,375)
Interest income on plan assets	(6,288)	3,779
Interest cost on defined benefit obligation	4,070	(6,018)
Past service cost/(gain)	-	(2)
Total	(6,504)	(5,616)
	2019	2018
	£000	£000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	233,074	232,084
Current service cost	4,286	3,375
Interest cost	6,288	6,018
Contribution by members	865	786
Actuarial losses/(gains)	17,519	(4,096)
Past service cost/(gains)	-	2
Estimated unfunded benefits paid	(430)	(420)
Estimated benefits paid	(4,778)	(4,675)
Closing defined benefit obligation	256,824	233,074
	2019	2018
	£000	£000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	150,591	145,471
Expected return on assets	4,070	3,779
Contributions by members	865	786
Contributions by the employer	4,411	3,830
Contributions in respect of unfunded benefits	430	420
Actuarial gains/(losses)	5,134	1,400
Unfunded benefits paid	(430)	(420)
Benefits paid	(4,778)	(4,675)
Closing fair value of employer assets	160,293	150,591

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

	Year to 31 March 2019 £000	Year to 31 March 2018 £000	Year to 31 March 2017 £000	Year to 31 March 2016 £000	Year to 31 March 2015 £000
Fair value of employer assets	160,293	150,591	145,471	120,918	120,794
Present value of defined benefit obligation	(256,824)	(233,074)	(232,084)	(180,627)	(196,150)
Surplus /(deficit)	(96,531)	(82,483)	(86,613)	(59,709)	(75,356)
Experience gains/(losses) on assets	5,134	1,400	20,375	(5,399)	4,230
Experience gains/(losses) on liabilities	-	-	-	-	1,451

The estimated employer's contributions for the year to 31 March 2020 is £3.891 million.

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16. CONTROLLING ENTITY

The controlling entity is the Local Government Association and the registered office is 18 Smith Square, London, SW1P 3HZ.

On 1 April 2019 the assets, liabilities and business of the parent undertaking, Local Government Association, an unincorporated association, were transferred via a transfer agreement to Local Government Association, an unlimited company (Company number 11177145).

17. RELATED PARTIES

The Company had the following transactions with related parties:

	Value of related party transactions in year 2019 exp / (inc) £000	Outstanding balance at 31 March 2019 dr / (cr) £000	Value of related party transactions in year 2018 exp / (inc) £000	Outstanding balance at 31 March 2018 dr / (cr) £000
Local Government Association (LGA)	9,909	1,053	5,249	11,172
Local Government Association Properties (LGAP)	1,128	-	419	-
Local Government Management Board (LGMB)	501	(198)	394	(134)
Local Partnerships	977	(35)	1,113	11
Public Sector Audit Appointments Limited (PSAA)	-	-	-	-
Geoplace LLP	(2,125)	-	(1,625)	-

All companies are controlled by the LGA entity. The transactions between these companies are a result of the shared service costs, property rental charges, MHCLG Grant shared funding transfers and other day to day activity recharges.

18. POST BALANCE SHEET EVENTS

On 1 April 2019 the assets, liabilities and business of the parent undertaking, Local Government Association, an unincorporated association, were transferred via a transfer agreement to Local Government Association, an unlimited company (Company number 11177145).

The Board are not aware of any other post balance sheet events.

19. CONTINGENT LIABILITIES

In 2006, the Company placed funds on deposit in an Escrow account to provide security for the performance by C-NLIS of its obligations to the London Borough of Camden pension scheme as an admitted body. We have agreed with Camden Pension Fund the option of the IDeA providing the pension fund guarantee without recourse to the escrow account. The accounts for the Company now include £375,154 funds that were on deposit as an asset of the Company within the Cash and Investment assets of the Company. This is subject to a contingent liability in the event that it becomes necessary for a call on the guarantee to be made.